

Assurance

ASIAN HUMAN SERVICES, INC.

Audited Consolidated Financial Statements

Years Ended June 30, 2023 and 2022

LOCAL
KNOWLEDGE,
GLOBAL
EXPERTISE

ASIAN HUMAN SERVICES, INC.
AUDITED CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022

CONTENTS

	<u>PAGE</u>
Financial Statements	
Independent Auditor's Report	1 - 3
Consolidated Statements of Financial Position	4 - 5
Consolidated Statements of Activities	6
Consolidated Statements of Functional Expenses	7 - 8
Consolidated Statements of Cash Flows	9 - 10
Notes to Consolidated Financial Statements	11 - 23
Supplementary Information	
Consolidating Statement of Financial Position	24
Consolidating Statement of Activities	25
Single Audit Reports and Schedules	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Consolidated Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	26 - 27
Independent Auditor's Report on Compliance for each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	28 - 30
Schedule of Expenditures of Federal Awards	31 - 33
Notes to Schedule of Expenditures of Federal Awards	34
Schedule of Findings and Questioned Costs	35 - 38
Summary Schedule of Prior Audit Findings	39
Corrective Action Plan	40
Illinois Grant Accountability and Transparency Act Required Information	
Consolidated Year-End Financial Report as Required by the Illinois Grant Accountability and Transparency Act	41
Compliance with Requirements of Applicable Laws and Regulations	
Independent Auditor's Report on Compliance with Requirements of Applicable Laws and Regulations Prescribed by Administering Agency	42 - 43
Summary Schedule of Audit Findings	44 - 45

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
of Asian Human Services, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Asian Human Services, Inc. (a not-for-profit organization), which comprise the consolidated statements of financial position as of June 30, 2023 and 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, financial statements).

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Asian Human Services, Inc. as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Asian Human Services, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Adoption of New Accounting Standard

As discussed in Note 2 of the financial statements, for the year ended June 30, 2023, Asian Human Services, Inc. adopted Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Asian Human Services, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Asian Human Services, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Asian Human Services, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, the Consolidated Year-End Financial Report, as required by the Illinois Grant Accountability and Transparency Act, and the consolidating statement of financial position and consolidating statement of activities are presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2023, on our consideration of Asian Human Services, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Asian Human Services, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Asian Human Services, Inc.'s internal control over financial reporting and compliance.



ASIAN HUMAN SERVICES, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2023 AND 2022

ASSETS

	2023	2022
Current assets:		
Cash and cash equivalents	\$ 2,379,956	2,053,881
Accounts receivable, net	116,316	166,500
Unconditional promises to give	1,842,424	1,589,713
Employee Retention Credit receivable	-	828,975
Prepaid expenses	320,408	94,241
Total current assets	4,659,104	4,733,310
Property and equipment, net	18,072,586	10,377,551
Other assets:		
Security deposits	-	52,303
Deferred rent	158,406	276,294
Total other assets	158,406	328,597
Total assets	\$ 22,890,096	15,439,458

The accompanying notes are an integral part of the consolidated financial statements.

ASIAN HUMAN SERVICES, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2023 AND 2022

LIABILITIES AND NET ASSETS

	2023	2022
Current liabilities:		
Accounts payable	\$ 104,603	593,498
Accrued expenses	687,101	416,631
Refundable advances	244,181	243,261
Line of credit	1,960,863	1,450,000
Current portion of deferred contract incentive	39,732	39,732
Current portion of claim settlement	103,847	50,416
Current portion of notes payable	485,267	480,640
Current portion of obligations under finance leases	320,606	-
Total current liabilities	3,946,200	3,274,178
Long-term liabilities:		
Deposits	-	49,465
Deferred rent	-	1,042,916
Deferred contract incentive, net of current portion	69,532	109,264
Claim settlement, net of current portion	469,409	562,226
Obligations under finance leases, net of current portion	9,497,461	-
Notes payable, net of current portion	4,182,787	4,658,279
Total long-term liabilities	14,219,189	6,422,150
Total liabilities	18,165,389	9,696,328
Net assets:		
Without donor restrictions	4,724,707	5,743,130
Total liabilities and net assets	\$ 22,890,096	15,439,458

The accompanying notes are an integral part of the consolidated financial statements.

ASIAN HUMAN SERVICES, INC.
CONSOLIDATED STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
Support and revenue:		
Government grants and contracts	\$ 12,999,358	10,919,721
Behavioral health revenue	1,028,435	837,958
Food service grant	487,557	457,680
Space sharing and other fees	601,264	687,441
Interest income	3,546	82
Contributions	100,201	420,357
In-kind contributions	38,069	75,106
Gain on forgiveness of Paycheck Protection Program loan	-	1,670,868
Employee Retention Credit grant	418,697	828,975
Total support and revenue	15,677,127	15,898,188
Expenses and losses:		
Program services:		
Behavioral health	1,528,689	1,662,646
Community health	435,900	438,709
Workforce development	2,213,903	1,197,730
Adult literacy	959,260	838,370
Early childhood education	4,247,396	2,814,652
Passages charter school	5,095,369	4,871,366
PIPAL	293,847	328,237
Total program services	14,774,364	12,151,710
Support services:		
Management and general	1,669,562	1,993,991
Fundraising	251,624	351,043
Total supporting services	1,921,186	2,345,034
Total expenses	16,695,550	14,496,744
Loss on settlement	-	1,532,569
Total expenses and losses	16,695,550	16,029,313
Change in net assets	(1,018,423)	(131,125)
Net assets without donor restrictions, beginning of year	5,743,130	5,874,255
Net assets without donor restrictions, end of year	\$ 4,724,707	5,743,130

The accompanying notes are an integral part of the consolidated financial statements.

ASIAN HUMAN SERVICES, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2023

	PROGRAM SERVICES							SUPPORTING SERVICES				TOTAL EXPENSES
	BEHAVIORAL HEALTH	COMMUNITY HEALTH	WORKFORCE DEVELOPMENT	ADULT LITERACY	EARLY CHILDHOOD EDUCATION	PASSAGES	PIPAL	TOTAL PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL SUPPORTING SERVICES	
Salaries	\$ 921,919	296,402	1,568,826	547,770	1,575,730	2,218,771	-	7,129,418	702,575	169,457	872,032	8,001,450
Payroll taxes and fringes	198,893	57,589	201,356	105,397	276,092	631,651	-	1,470,978	117,484	34,142	151,626	1,622,604
Total salaries, payroll taxes, and fringes	1,120,812	353,991	1,770,182	653,167	1,851,822	2,850,422	-	8,600,396	820,059	203,599	1,023,658	9,624,054
Professional services	245,218	61,571	314,280	141,867	553,703	1,177,287	18,202	2,512,128	375,342	25,147	400,489	2,912,617
Property services	-	-	1,737	5,792	245,316	183,305	-	436,150	76,099	537	76,636	512,786
Transportation services	1,688	22	29,530	2,274	1,668	244,988	-	280,170	1,151	-	1,151	281,321
Memberships and public relations	13,812	-	2,905	354	2,370	9,315	-	28,756	6,177	15,000	21,177	49,933
Advertising	1,383	-	-	35,020	34,823	20,421	-	91,647	-	887	887	92,534
Office supplies	13,197	8,206	36,942	101,230	-	333,117	-	492,692	86,064	4,437	90,501	583,193
Utilities	3,886	2,192	2,951	2,372	19,403	59,681	-	90,485	183	387	570	91,055
Insurance	10,865	8,951	26,598	10,022	20,760	46,266	-	123,462	6,442	1,630	8,072	131,534
Other purchased services	765	200	6,194	20	39,547	2,227	20	48,973	2,210	-	2,210	51,183
Bank charges and fees	-	-	-	-	190	237	-	427	6,339	-	6,339	6,766
Bad debt	115,864	-	1,635	81	45,423	-	-	163,003	-	-	-	163,003
Miscellaneous	745	767	15,151	1,205	25,294	95,052	-	138,214	8,961	-	8,961	147,175
Total expenses before interest, depreciation and amortization	1,528,235	435,900	2,208,105	953,404	2,840,319	5,022,318	18,222	13,006,503	1,389,027	251,624	1,640,651	14,647,154
Interest expense	-	-	-	-	415,151	-	144,401	559,552	72,813	-	72,813	632,365
Depreciation and amortization	454	-	5,798	5,856	991,926	73,051	131,224	1,208,309	207,722	-	207,722	1,416,031
Total expenses	\$ 1,528,689	435,900	2,213,903	959,260	4,247,396	5,095,369	293,847	14,774,364	1,669,562	251,624	1,921,186	16,695,550

The accompanying notes are an integral part of the consolidated financial statements.

ASIAN HUMAN SERVICES, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2022

	PROGRAM SERVICES							SUPPORTING SERVICES				
	BEHAVIORAL HEALTH	COMMUNITY HEALTH	WORKFORCE DEVELOPMENT	ADULT LITERACY	EARLY CHILDHOOD EDUCATION	PASSAGES	PIPAL	TOTAL PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL SUPPORTING SERVICES	TOTAL EXPENSES
Salaries	\$ 983,812	304,743	898,248	475,281	1,264,744	2,460,576	-	6,387,404	865,373	262,572	1,127,945	7,515,349
Payroll taxes and fringes	199,456	54,787	122,155	87,624	207,200	619,066	-	1,290,288	128,488	39,321	167,809	1,458,097
Total salaries, payroll taxes, and fringes	1,183,268	359,530	1,020,403	562,905	1,471,944	3,079,642	-	7,677,692	993,861	301,893	1,295,754	8,973,446
Professional services	193,960	36,294	82,174	90,072	288,284	838,209	46,162	1,575,155	367,122	-	367,122	1,942,277
Property services	87,474	15,933	36,992	61,078	361,268	60,389	-	623,134	410,550	3,259	413,809	1,036,943
Transportation services	313	53	15,984	3,043	621	162,361	-	182,375	41	300	341	182,716
Memberships and public relations	1,000	-	1,350	13	10,210	10,597	-	23,170	356	24,860	25,216	48,386
Advertising	14,122	2,268	8,899	7,366	40,538	9,439	-	82,632	89,820	8,513	98,333	180,965
Office supplies	5,251	3,013	7,934	62,273	80,030	358,018	-	516,519	3,915	9,904	13,819	530,338
Utilities	7,155	1,117	2,750	3,707	32,116	96,044	-	142,889	-	257	257	143,146
Insurance	16,489	2,578	7,890	10,005	20,730	57,348	-	115,040	7,862	1,182	9,044	124,084
Other purchased services	85	1,857	7,556	9,311	7,074	-	-	25,883	146	-	146	26,029
Bank charges and fees	-	104	-	-	121	386	500	1,111	7,188	398	7,586	8,697
Bad debt	128,729	15,962	-	2,494	-	9,582	-	156,767	-	-	-	156,767
Miscellaneous	7	-	-	-	878	104,907	-	105,792	-	477	477	106,269
Total expenses before interest, depreciation and amortization	1,637,853	438,709	1,191,932	812,267	2,313,814	4,786,922	46,662	11,228,159	1,880,861	351,043	2,231,904	13,460,063
Interest expense	-	-	-	-	141,489	-	150,497	291,986	41,049	-	41,049	333,035
Depreciation and amortization	24,793	-	5,798	26,103	359,349	84,444	131,078	631,565	72,081	-	72,081	703,646
Total expenses	\$ 1,662,646	438,709	1,197,730	838,370	2,814,652	4,871,366	328,237	12,151,710	1,993,991	351,043	2,345,034	14,496,744

The accompanying notes are an integral part of the consolidated financial statements.

ASIAN HUMAN SERVICES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
Cash provided (used) by operating activities:		
Change in net assets	\$ (1,018,423)	(131,125)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization of property and equipment	794,428	703,646
Amortization of right of use asset under finance leases	621,603	-
Gain on forgiveness of Paycheck Protection Program loan	-	(1,670,868)
Changes in:		
Accounts receivable, net	50,184	280,830
Unconditional promises to give	(252,711)	(200,307)
Employee Retention Credit receivable	828,975	(828,975)
Prepaid expenses	(226,167)	(61,580)
Deferred rent	117,888	541,511
Security deposits	52,303	-
Accounts payable	(488,895)	375,486
Accrued expenses	270,470	87,065
Refundable advances	920	182,659
Deferred contract incentive	(39,732)	5,610
Claim settlement liability	(39,386)	612,642
Deposits	(49,465)	-
Net cash provided (used) by operating activities	621,992	(103,406)
Cash used by investing activities:		
Purchases of property and equipment	(39,299)	(458,611)
Cash provided (used) by financing activities:		
Proceeds from related party	-	298,070
Proceeds from notes payable	-	170,399
Payments on notes payable	(470,865)	(497,485)
Proceeds on line of credit	2,860,863	1,450,000
Payments on line of credit	(2,350,000)	-
Principal payments on obligations under finance leases	(296,616)	-
Net cash provided by (used to) financing activities	(256,618)	1,420,984
Net increase in cash and cash equivalents	326,075	858,967
Cash and cash equivalents, beginning of year	2,053,881	1,194,914
Cash and cash equivalents, end of year	\$ 2,379,956	2,053,881

The accompanying notes are an integral part of the consolidated financial statements.

ASIAN HUMAN SERVICES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
Noncash financing transaction:		
Gain on forgiveness of Paycheck Protection Program loan	\$ <u> -</u>	<u>1,670,868</u>
Other cash flow information:		
Interest paid	\$ <u>632,365</u>	<u>333,035</u>

The accompanying notes are an integral part of the consolidated financial statements.

ASIAN HUMAN SERVICES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 1 - NATURE OF OPERATIONS

Asian Human Services, Inc. (AHS), an Illinois corporation, was incorporated on May 11, 1978. Its mission is to provide client-centered, quality, and compassionate services to Asian immigrants and other underserved communities so that they can fully participate in society, prosper, and thrive. AHS identifies issues, needs, and problems affecting the Pan-Asian and other minority communities and addresses them through direct services and community education covering both children and adults as follows: a charter grade school, mental health services, community health services, and literacy and employment programs.

AHS established Asian Human Services Passages Charter School (School) in the year 2000 as a division of AHS. Under State law, the Chicago Public Schools (CPS) have oversight responsibility to verify that the School complies with and meets the expectations of a public education system. The School is expected to satisfy regulations and compliance requirements prescribed by CPS. The School's current charter issued by Chicago Public Schools (CPS) expires on June 30, 2025.

AHS established Pipal, NFP (Pipal) in the year 2010 to hold and manage all real estate assets owned by AHS. Pipal is a wholly owned subsidiary of AHS governed by a separate Board of Directors.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) as applicable to not-for-profit organizations.

Principles of Consolidation

The accompanying consolidated financial statements (collectively, financial statements) include the accounts of AHS and Pipal. Together, AHS and Pipal will be referred to as the "Agency." All significant interorganizational transactions and balances have been eliminated in consolidation.

Cash and Cash Equivalents

For purposes of the consolidated statements of cash flows, the Agency considers all highly liquid instruments with an original maturity of three months or less to be cash equivalents.

Concentration of Credit Risk

The Agency maintains its cash in bank deposits which, at times, may exceed federally insured limits. The Agency believes it is not exposed to any significant credit risk on cash.

ASIAN HUMAN SERVICES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Accounts Receivable

Accounts receivable from contracts with customers are stated at unpaid balances, less an adjustment for the allowance for doubtful accounts. The allowance for doubtful accounts is estimated based on the length of time the receivables are outstanding and the anticipated future collectible amounts based on historical experience. Accounts deemed uncollectible are charged to the allowance for doubtful accounts. At June 30, 2023 and 2022, the allowance for doubtful accounts was \$6,122 and \$34,793, respectively.

Unconditional Promises to Give

The Agency records unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at the present value of estimated future cash flows. In subsequent years, amortization of the discounts is included in contribution revenue in the consolidated statements of activities. The Agency determines the allowance for uncollectible promises to give based on historical experience, an assessment of economic conditions and a review of subsequent collections. Promises to give are written off when deemed uncollectible. All of these amounts are expected to be collected within one year. At June 30, 2023 and 2022, an allowance for uncollectible promises to give was not deemed necessary.

Employee Retention Credit

The provisions of the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act) provides an employee retention credit (ERC), which is a refundable tax credit against certain employment taxes for eligible employers. Management determined the Agency qualifies for the ERC and has elected to treat the credit consistent with the treatment of conditional grants. The Agency recorded a receivable and ERC grant revenue once the measurable performance or other barrier and right of return of the ERC had been overcome. The Agency has recognized \$418,697 and \$828,975 as ERC grant revenue for the year ended June 30, 2023 and 2022, respectively. The Agency has a related receivable balance of \$0 and \$828,975 as of June 30, 2023 and 2022, respectively. The entire amount of both submissions has been collected as of June 30, 2023.

Property and Equipment

Property and equipment have been recorded at cost if purchased or at fair value at time of donation if received as a gift. The Agency capitalizes property and equipment over \$5,000 that have a useful life of more than one year. Depreciation of property and equipment is provided over the estimated useful lives of the respective assets on a straight-line basis. Leasehold improvements are amortized over the shorter of the lease term or their respective estimated useful lives. Right of use assets for finance leases are amortized over the life of the lease. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed as incurred.

ASIAN HUMAN SERVICES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor-imposed restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Agency reports contributions restricted by donors as increases in net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions. There were no net assets with donor restrictions or net assets released from restrictions for the years ended June 30, 2023 and 2022.

Support and Revenue Recognition

Revenue from Contracts with Customers

The Agency derives a portion of its revenue from a revenue source that involves contracts with customers. This source includes revenue from behavioral health services. Behavioral health revenue is reported at the estimated net realizable amounts from patients, third-party payers, and others for services rendered and includes estimated retroactive adjustments. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered and such estimated amounts are revised in future periods as adjustments become known. The Agency's behavioral health program is supported primarily by Medicaid funds from the Illinois Department of Human Services, and secondarily through various Managed Care Organizations. Behavioral health revenue is determined based on approved scope of services at established rates with the various entities. Revenues are recognized when control of these services is transferred to its customers in an amount that reflects the consideration the Agency expects to be entitled to in exchange for those services.

The Agency has elected to use the portfolio approach practical expedient. The Agency's contracts with customers contain similar terms and as a result, the Agency has elected to apply its revenue recognition policies to a portfolio of contracts with similar characteristics. The Agency does not expect the results of doing so to differ materially from applying the guidance to individual contracts.

Performance Obligations

For behavioral health revenue, the performance obligation is to provide one-time services where control passes at the time the service occurs.

ASIAN HUMAN SERVICES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Support and Revenue Recognition, Continued

Contract Balances

The timing of revenue recognition, billings, and cash collections results in billed accounts receivable on the statements of financial position. The beginning and ending contract balances were as follows:

	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>
Accounts receivable	\$ 122,438	201,293	545,525

Promises to Give

The Agency recognizes contributions and grants when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

A portion of the Agency's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenditures. Amounts received are recognized as revenue when the Agency has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the consolidated statements of financial position. The Agency received cost-reimbursable grants of \$4,179,182 and \$2,305,968 that have not been recognized as of June 30, 2023 and 2022, respectively, because qualifying expenditures have not yet been incurred. No amounts have been received in advance under the federal and state contracts and grants.

In-Kind Contributions

The Agency receives in-kind contributions from members of the community and volunteers related to program operations and fund-raising activities. Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the School.

The Agency recognizes in-kind contribution revenue and a corresponding expense in an amount approximating the estimated fair value at the time of the donation. The Agency's policy related to in-kind contributions is to utilize the assets given to carry out the mission of the Agency. If an asset is provided that does not allow the Agency to utilize it in its normal course of business, the asset will be sold at its fair market value as determined by appraisal or specialist depending on the type of asset.

ASIAN HUMAN SERVICES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Functional Expenses

The costs of program and supporting service activities have been summarized on a functional basis in the consolidated statements of activities. The consolidated statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include property services, utilities, and depreciation and amortization, which are allocated on a square footage basis, as well as salaries, payroll taxes, and fringes, which are allocated on the basis of estimates of time and effort. The remainder of expenses are directly identified to the functional category to which it applies.

Income Taxes

Asian Human Services, Inc. and Pipal have been determined to be exempt from income tax under Section 501(c)(3) of the Internal Revenue Code, and accordingly, no provision has been made for either federal or state income taxes.

Asian Human Services, Inc. and Pipal have evaluated the tax positions taken for all open tax years. Currently, the returns for the prior three fiscal years are open and subject to examination by the Internal Revenue Service; however, Asian Human Services, Inc. and Pipal are not currently under audit nor has Asian Human Services, Inc. and Pipal been contacted by this jurisdiction.

Based on the evaluation of Asian Human Services, Inc. and Pipal's tax positions, management believes all positions would be upheld under an examination; therefore, no provision for the effects of uncertain tax positions has been recorded for the years ended June 30, 2023 and 2022.

Accounting Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

ASIAN HUMAN SERVICES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Adoption of New Accounting Standard – Leases

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, Leases (Topic 842). The FASB also subsequently issued additional ASUs, which amend and clarify Topic 842. The most significant change in the new leasing guidance is the requirement to recognize right-of-use (ROU) assets and lease liabilities for operating leases on the consolidated statement of financial position. ASU No. 2016-02 is effective for fiscal years beginning after December 15, 2021.

The Agency elected to adopt these ASUs effective July 1, 2022 and utilized the available practical expedients. As a result of adoption, the Agency recorded ROU assets and lease liabilities of approximately \$10,115,000 effective July 1, 2022. The initial recorded amounts included an offset to the deferred rent liability with a balance of approximately \$1,042,000 as of July 1, 2022.

Leases

The Agency leases certain buildings and equipment. The determination of whether an arrangement is a lease is made at the lease's inception. Under ASC 842, a contract is (or contains) a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is defined under the standard as having both the right to obtain substantially all of the economic benefits from use of the asset and the right to direct the use of the asset. Management only reassesses its determination if the terms and conditions of the contract are changed.

Finance leases are included in property and equipment, current liabilities, and long-term liabilities in the statements of financial position.

ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments. Finance lease ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The Agency uses the implicit rate when it is readily determinable. Since most of the Agency's leases do not provide an implicit rate, to determine the present value of lease payments, management uses the risk-free rate at lease commencement. The Agency's lease terms may include options to extend or terminate the lease when it is reasonably certain that it will exercise the option.

New Accounting Standard – Credit Losses

In June 2016, the FASB issued guidance to change the accounting for credit losses. The guidance requires an entity to utilize a new impairment model known as the current expected credit loss ("CECL") model to estimate its lifetime "expected credit losses" and record an allowance that presents the net amount expected to be collected on the financial assets. The CECL framework is expected to result in earlier recognition of credit losses. The Agency intends to adopt the guidance as of July 1, 2023 and is currently evaluating the effect it is expected to have on its financial statements and related disclosures.

ASIAN HUMAN SERVICES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Management Evaluation of Going Concern

In accordance with U.S. GAAP, management performed an evaluation to determine if adverse conditions or events, considered in the aggregate, raise substantial doubt about the Agency's ability to continue as a going concern for the one-year period from the date the financial statements were available to be issued. Management's evaluation did not identify any conditions or events that raise substantial doubt about the Agency's ability to continue as a going concern for the period from October 30, 2023 to October 30, 2024.

Subsequent Events

Subsequent events have been evaluated through October 30, 2023, the date that the financial statements were available to be issued.

NOTE 3 - LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the date of the consolidated statements of financial position, comprise the following:

	<u>2023</u>	<u>2022</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 2,379,956	2,053,881
Accounts receivable, net	116,316	166,500
Unconditional promises to give	1,842,424	1,589,713
Employee retention credit receivable	<u>-</u>	<u>828,975</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 4,338,696</u>	<u>4,639,069</u>

The Agency is substantially supported by grants and contributions. The Agency manages its liquidity following these guiding principles; operating within a prudent range of financial soundness and stability and maintaining adequate liquid assets to fund near-term operating needs. As part of the Agency's liquidity management plan, the Agency invests in cash and cash equivalents. Another part of the plan is the approval of the annual budget in June every year. The Agency forecasts its future cash flows and monitors its liquidity monthly and its reserves quarterly.

ASIAN HUMAN SERVICES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2023 and 2022 consisted of the following:

	<u>2023</u>	<u>2022</u>
Construction in progress	\$ -	1,456,113
Furniture and equipment	1,432,133	1,433,154
Land and land improvements	1,867,945	1,867,945
Buildings	3,871,105	3,871,105
Leasehold improvements	8,114,949	6,633,439
Right of use asset - finance leases	<u>9,071,767</u>	<u>-</u>
Total property and equipment	24,357,899	15,261,756
Less accumulated depreciation and amortization	<u>(6,285,313)</u>	<u>(4,884,205)</u>
Property and equipment, net	<u>\$ 18,072,586</u>	<u>10,377,551</u>

NOTE 5 - LINE OF CREDIT

The Agency has a \$2,000,000 operating line of credit that expired in April 2023 and was extended through April 2024 and bears interest at the prime rate. The prime rate at June 30, 2023 and 2022 was 8.25% and 4.75%, respectively. The outstanding balance on the line of credit was \$1,960,863 and \$1,450,000 as of June 30, 2023 and 2022, respectively. All financial covenants were met or waived for the years ended June 30, 2023 and 2022. The line of credit is collateralized by all the assets of the Agency. The Agency intends to renew the line of credit upon expiration and believes that it is probable it will be able to do so.

ASIAN HUMAN SERVICES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 6 - NOTES PAYABLE

Notes payable at June 30, 2023 and 2022 consisted of the following:

	<u>2023</u>	<u>2022</u>
Note payable, collateralized by property, due in monthly installments of \$3,132 including interest at 3.26%, and matured on November 1, 2022.	\$ -	15,532
Note payable, collateralized by property, due in monthly installments of \$3,841 including interest at 3.17%, and matured on October 1, 2022.	-	3,517
Note payable, collateralized by property, due in monthly installments of \$3,658 including interest at 5.00%, maturing on January 1, 2025.	66,693	106,179
Note payable, collateralized by property, due in monthly installments of \$5,171 including interest at 5.00% through April 1, 2024, at which time the rate will be adjusted by the lender. The note matures on April 1, 2029.	313,425	358,579
Note payable, collateralized by property, due in monthly installments of \$2,164 including interest at 5%. The note matures on July 1, 2024.	27,160	50,948
Note payable, collateralized by property, due in monthly installments of \$6,968 including interest at 5.15%, maturing on May 15, 2027.	855,533	896,342
Note payable, collateralized by property and guaranteed by another not-for-profit organization, due in monthly installments of \$7,203 including interest at 5.50%, maturing on November 17, 2024.	117,469	194,992
Note payable, collateralized by property, due in monthly installments of \$7,386 including interest at 6.25%, maturing on December 5, 2025.	204,445	277,586
Note payable, collateralized by property, due in monthly installments of \$19,736 including interest at 6.875% through March 1, 2026, at which time the interest rate may be adjusted by the lender. The rate may again be adjusted by the lender on March 1, 2031. The note matures on August 1, 2026.	1,912,512	2,008,812
Note payable, collateralized by property, due in monthly installments of \$10,891 including interest at 6.25%, maturing on August 1, 2026.	<u>1,170,817</u>	<u>1,226,432</u>
Total notes payable	4,668,054	5,138,919
Less current portion	<u>(485,267)</u>	<u>(480,640)</u>
Total long-term notes payable	<u>\$ 4,182,787</u>	<u>4,658,279</u>

There were no financial covenants for the years ended June 30, 2023 and 2022.

ASIAN HUMAN SERVICES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 6 - NOTES PAYABLE, CONTINUED

Future principal payments due on notes payable are as follows:

	\$	485,267
2024		414,873
2025		329,473
2026		1,875,979
2027		193,619
2028		<u>1,368,843</u>
Thereafter		
Total principal payments	\$	<u><u>4,668,054</u></u>

NOTE 7 - LEASES AS LESSEE

As of and for the Year Ended June 30, 2023

The Agency is obligated under a lease agreement for building space that meets the criteria of a finance lease. The finance lease requires monthly payments of \$42,032, plus annual escalations, and mature in June 2038.

The Agency is also obligated under a lease agreement for office equipment that meets the criteria of a finance lease. The finance lease requires monthly payments of \$6,636 and matures in April 2026.

The building lease includes optional renewal periods. When it is reasonably certain that a renewal option will be exercised, that renewal period is included in the lease term, and the related payments are reflected in the ROU asset and lease liability. All of the Agency's leases include fixed rental payments. The Agency's building lease requires separate payments to the lessor based on the property taxes assessed on the property, as well as a portion of the common area maintenance of the properties. We have elected the practical expedient not to separate lease and non-lease components for all leases.

Lease expense for the year ended June 30, 2023 was as follows.

Finance leases:		
Amortization of ROU assets	\$	606,682
Interest expense		<u>287,408</u>
	\$	<u><u>894,090</u></u>

As of June 30, 2023, the weighted-average remaining lease term for the finance leases is 13.6 years.

Because the Agency generally does not have access to the rate implicit in the lease, the Agency utilizes the risk-free rate as the discount rate. The weighted-average discount rate associated with the finance leases as of June 30, 2023 is 2.88%.

ASIAN HUMAN SERVICES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 7 - LEASES AS LESSEE, CONTINUED

The aggregate future minimum lease payments and the present value of net future minimum payments at June 30, 2023 are as follows:

2024	\$	599,156
2025		614,742
2026		617,003
2027		567,692
2028		584,723
Thereafter		<u>9,451,428</u>
		12,434,744
Less interest		<u>(2,616,677)</u>
	\$	<u><u>9,818,067</u></u>

As of and for the Year Ended June 30, 2022

In July 2018, the Agency entered into a lease agreement with the Archdiocese of Chicago for the use of the main school building. The term of the lease is five years with three additional five-year options to extend, which the Agency has committed to. The lease also provides for minimum monthly rental payments plus annual escalations, subject to additional rent for increases in taxes and operating expenses. Due to the rent abatements and escalations, rent expense has been recorded on a straight-line basis and resulted in a deferred rent liability as of June 30, 2022 of \$1,042,916.

In addition, the Agency is obligated under a lease for equipment that expires in November 2023.

Total rent expense amounted to \$907,901 for the year ended June 30, 2022 and is included within property services expense in the consolidated statement of functional expenses.

NOTE 8 - LEASES AS LESSOR

The Agency entered into space-sharing agreements with an unrelated party. The agreements expire at various times through June 2034 with minimum monthly rental payments ranging from \$8,655 to \$11,940 plus annual escalations. Due to the escalations, rent revenue has been recorded on a straight-line basis and resulted in a deferred rent asset as of June 30, 2023 and 2022 of \$158,406 and \$276,294, respectively. Total rent revenue under these operating leases were \$481,609 and \$518,569 for the years ended June 30, 2023 and 2022, respectively, and is included in space sharing and other fees revenue on the consolidated statements of activities.

The Agency reached a settlement agreement in which rent for one of the space-sharing agreements was abated from January 1, 2023 to December 31, 2029. Due to the change in the terms of the rental agreement, a claim settlement liability was recorded. The total liability as of June 30, 2023 and 2022, discounted using a rate of 3.59%, was \$573,256 and \$612,642, respectively. The changes to the future minimum rentals from this settlement agreement are reflected in the future minimum rental payments below.

ASIAN HUMAN SERVICES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 8 - LEASES AS LESSOR, CONTINUED

The aggregate future minimum rentals on these leases as of June 30, 2023 is as follows:

	2024		\$	106,980
	2025			110,184
	2026			113,484
	2027			116,892
	2028			120,396
	Thereafter			<u>1,258,960</u>
	Total		\$	<u><u>1,826,896</u></u>

NOTE 9 - IN-KIND CONTRIBUTIONS

The Agency received the following in-kind contributions for the years ended June 30:

		<u>2023</u>		<u>2022</u>
Technology	\$	-		75,106
Food		<u>38,069</u>		<u>-</u>
Total in-kind contributions	\$	<u><u>38,069</u></u>		<u><u>75,106</u></u>

The principal sources of in-kind support involved technological equipment and food for students. Based on current market rates, the Agency would have paid \$38,069 and \$75,106 for the years ended June 30, 2023 and 2022, respectively.

All in-kind contributions received by the Agency for the years ended June 30, 2023 and 2022 were considered to be without donor restrictions and are able to be used by the Agency as determined by the board of directors and management.

NOTE 10 - RETIREMENT PLAN

The Agency provides a 401(k) retirement plan (Plan) for eligible employees. The Agency makes matching contributions of 100% of the first 1.5% of base compensation that the participant contributes to the Plan. The Agency expenses contributions to the Plan as incurred. Employer contributions for the years ended June 30, 2023 and 2022 totaled \$63,874 and \$65,475, respectively.

The School participates in the Public School Teachers' Pension and Retirement Fund of Chicago (Fund), a defined benefit plan. Members of the Fund include all active non-annuitants who are employed by a fund-covered employer to provide services for which teacher certification is required. The State of Illinois appropriates public contributions to CPS, which remit those contributions to the Fund as applicable employer contributions.

ASIAN HUMAN SERVICES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 10 - RETIREMENT PLAN, CONTINUED

Employer contributions are 11.16% of pensionable salaries. Eligible employees are also required to contribute 9% of their pensionable salaries. As a benefit to employees with greater than one year of continuous employment, the School paid a portion of the employee contribution. Employer contributions are included in payroll taxes and fringes in the consolidated statements of functional expenses. The following table is a summary of the pension true-up for the years ended June 30, 2023 and 2022.

	2023	2022
Total pensionable salaries	<u>\$ 2,294,820</u>	<u>\$ 2,594,951</u>
Employee's contribution expense picked up by employer (2-7%)	<u>\$ 78,635</u>	<u>\$ 78,615</u>
Employer's contribution expense (11.16%)	\$ 256,102	\$ 289,597
(-) CPS deduction amount for employer's pension expense	<u>(261,683)</u>	<u>(238,045)</u>
(=) Pension true-up amount	<u>\$ (5,581)</u>	<u>\$ 51,552</u>

NOTE 11 - BARGAINING UNIT

The Agency has a bargaining unit agreement with Chicago Teachers Union (CTU) Local 1 for three years beginning July 1, 2019 through June 30, 2022. CTU is the exclusive collective bargaining representative of all full-time and regular part-time teachers, counselors, case managers, teachers' aides, teachers' assistants, administrative assistants, office clerks, and paraprofessionals employed by the Agency at the School. The Agency and CTU are still currently negotiating a renewal.

NOTE 12 - CONTINGENCY

In April 2020, the Agency received a \$1,670,868 Paycheck Protection Program loan (PPP) which was forgiven in July 2021. In February 2021, the Agency received a second \$1,670,868 PPP loan which was forgiven in May 2022. The PPP loans and their forgiveness are subject to examination under the terms of the agreement with the Small Business Administration for a period of six years from the date the is forgiven. The Agency is not currently under examination nor has the Agency been contacted.

The ERC refund amounts are subject to examination for a period of up to five years from the filing date of the ERC refunds. The \$828,975 ERC refund was filed in March 2022. The \$418,697 ERC refund was filed in July 2022. The Agency is not currently under examination nor has the Agency been contacted.

NOTE 13 - MAJOR GRANTORS AND CONTRIBUTORS

The Agency received approximately 81% and 82% of its grants and contributions from four funders during the years ended June 30, 2023 and 2022, respectively.

NOTE 14 - RECLASSIFICATIONS

Certain amounts in the June 30, 2022 financial statements have been reclassified to conform to the June 30, 2023 presentation.

SUPPLEMENTARY INFORMATION

ASIAN HUMAN SERVICES, INC.
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2023

	<u>ASIAN HUMAN SERVICES</u>	<u>PASSAGES CHARTER SCHOOL</u>	<u>PIPAL</u>	<u>ELIMINATIONS</u>	<u>CONSOLIDATED</u>
<u>ASSETS</u>					
Current assets:					
Cash and cash equivalents	\$ 1,137,669	1,242,287	-	-	2,379,956
Accounts receivable, net	116,316	-	-	-	116,316
Unconditional promises to give	1,191,662	650,762	-	-	1,842,424
Prepaid expenses	<u>78,134</u>	<u>242,274</u>	<u>-</u>	<u>-</u>	<u>320,408</u>
Total current assets	<u>2,523,781</u>	<u>2,135,323</u>	<u>-</u>	<u>-</u>	<u>4,659,104</u>
Property and equipment, net	<u>4,763,620</u>	<u>13,249,711</u>	<u>3,994,102</u>	<u>(3,934,847)</u>	<u>18,072,586</u>
Other assets:					
Deferred rent	-	-	158,406	-	158,406
Intercompany receivable	<u>-</u>	<u>-</u>	<u>3,941,634</u>	<u>(3,941,634)</u>	<u>-</u>
Total other assets	<u>-</u>	<u>-</u>	<u>4,100,040</u>	<u>(3,941,634)</u>	<u>158,406</u>
Total assets	<u>\$ 7,287,401</u>	<u>15,385,034</u>	<u>8,094,142</u>	<u>(7,876,481)</u>	<u>22,890,096</u>
<u>LIABILITIES AND NET ASSETS</u>					
Current liabilities:					
Accounts payable	\$ 104,603	-	-	-	104,603
Accrued expenses	146,612	540,489	-	-	687,101
Refundable advances	214,003	21,263	8,915	-	244,181
Line of credit	1,960,863	-	-	-	1,960,863
Current portion of deferred contract incentive	39,732	-	-	-	39,732
Current portion of claim settlement	-	-	103,847	-	103,847
Current portion of notes payable	159,838	103,132	222,297	-	485,267
Current portion of obligations under finance leases	<u>316,839</u>	<u>246,225</u>	<u>-</u>	<u>(242,458)</u>	<u>320,606</u>
Total current liabilities	<u>2,942,490</u>	<u>911,109</u>	<u>335,059</u>	<u>(242,458)</u>	<u>3,946,200</u>
Long-term liabilities:					
Deferred contract incentive, net of current portion	69,532	-	-	-	69,532
Claim settlement, net of current portion	-	-	469,409	-	469,409
Obligations under finance leases, net of current portion	3,970,067	9,355,413	-	(3,828,019)	9,497,461
Notes payable, net of current portion	162,076	1,809,380	2,211,331	-	4,182,787
Intercompany payable	<u>1,642,180</u>	<u>2,299,454</u>	<u>-</u>	<u>(3,941,634)</u>	<u>-</u>
Total long-term liabilities	<u>5,843,855</u>	<u>13,464,247</u>	<u>2,680,740</u>	<u>(7,769,653)</u>	<u>14,219,189</u>
Total liabilities	<u>8,786,345</u>	<u>14,375,356</u>	<u>3,015,799</u>	<u>(8,012,111)</u>	<u>18,165,389</u>
Net assets:					
Without donor restrictions	<u>(1,498,944)</u>	<u>1,009,678</u>	<u>5,078,343</u>	<u>135,630</u>	<u>4,724,707</u>
Total liabilities and net assets	<u>\$ 7,287,401</u>	<u>15,385,034</u>	<u>8,094,142</u>	<u>(7,876,481)</u>	<u>22,890,096</u>

See Independent Auditor's Report on Supplementary Information.

ASIAN HUMAN SERVICES, INC.
CONSOLIDATING STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023

	<u>ASIAN HUMAN SERVICES</u>	<u>PASSAGES CHARTER SCHOOL (K-8)</u>	<u>PIPAL</u>	<u>ELIMINATIONS</u>	<u>CONSOLIDATED</u>
Support and revenue:					
Government grants and contracts	\$ 7,837,659	5,161,699	-	-	12,999,358
Behavioral health revenue	1,028,435	-	-	-	1,028,435
Food service grant	122,406	365,151	-	-	487,557
Space sharing and other fees	111,388	8,267	824,401	(342,792)	601,264
Interest income	3,546	-	-	-	3,546
Contributions	100,201	-	-	-	100,201
In-kind contributions	9,137	28,932	-	-	38,069
Management fees	873,659	-	-	(873,659)	-
Employee Retention Credit grant	418,697	-	-	-	418,697
Total support and revenue	<u>10,505,128</u>	<u>5,564,049</u>	<u>824,401</u>	<u>(1,216,451)</u>	<u>15,677,127</u>
Expenses:					
Program services	10,737,229	5,095,369	293,847	(1,352,081)	14,774,364
Supporting services:					
Management and general	1,126,011	543,551	-	-	1,669,562
Fundraising	79,515	172,109	-	-	251,624
Total expenses	<u>11,942,755</u>	<u>5,811,029</u>	<u>293,847</u>	<u>(1,352,081)</u>	<u>16,695,550</u>
Change in net assets	(1,437,627)	(246,980)	530,554	135,630	(1,018,423)
Net assets, beginning of year	<u>(61,317)</u>	<u>1,256,658</u>	<u>4,547,789</u>	<u>-</u>	<u>5,743,130</u>
Net assets, end of year	<u>\$ (1,498,944)</u>	<u>1,009,678</u>	<u>5,078,343</u>	<u>135,630</u>	<u>4,724,707</u>

See Independent Auditor's Report on Supplementary Information.

SINGLE AUDIT REPORTS AND SCHEDULES

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF CONSOLIDATED FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors
of Asian Human Services, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Asian Human Services, Inc. (a nonprofit organization), which comprise the consolidated statement of financial position as of June 30, 2023, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements (collectively, financial statements), and have issued our report thereon dated October 30, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Asian Human Services, Inc.'s internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Asian Human Services, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Asian Human Services, Inc.'s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the organization's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned cost as item 2023-001 that we consider to be a material weakness, and item 2023-002 that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Asian Human Services, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Organization's Response to Finding

Asian Human Services, Inc.'s responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Asian Human Services, Inc.'s responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Asian Human Services, Inc.'s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Asian Human Services, Inc.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Directors
of Asian Human Services, Inc.

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Asian Human Services, Inc.'s compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Asian Human Services, Inc.'s major federal programs for the year ended June 30, 2023. Asian Human Services, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Asian Human Services, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Asian Human Services, Inc. and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Asian Human Services, Inc.'s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Asian Human Services, Inc.'s federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Asian Human Services, Inc.'s compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Asian Human Services, Inc.'s compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Asian Human Services, Inc.'s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Asian Human Services, Inc.'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on the internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Asian Human Services, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope for our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

PKF Mueller

ASIAN HUMAN SERVICES, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2023

Federal Grantor/Pass-through Grantor/Program Title	Pass Through Grantor Number	Federal Assistance Listing Number	Federal Expenditures
U.S. Department of Agriculture			
<i>Pass-through programs from:</i>			
Illinois State Board of Education			
<i>Child Nutrition Cluster</i>			
School Breakfast Program	65-108-9730-51	10.553	\$ 128,374
National School Lunch Program	65-108-9730-51	10.555	333,629
	212IL058L1603 and 222IL058L1603	10.582	<u>9,345</u>
Fresh Fruits and Vegetable Program			<u>471,348</u>
Total Illinois State Board of Education			<u>471,348</u>
Illinois Department of Human Services			
SNAP Employment and Training	FCSYG00242	10.561	<u>739,564</u>
Total Illinois Department of Human Services			<u>739,564</u>
Taher, Inc.			
Non-Cash Food Commodities (ISBE)		10.558	11,414
Non-Cash Food Commodities (USDA FFAVORS)		10.558	26,655
Child and Adult Care Food Program		10.558	<u>17,159</u>
Total Taher, Inc.			<u>55,228</u>
Total U.S. Department of Agriculture			<u>1,266,140</u>
U.S. Department of Housing and Urban Development			
<i>Pass-through programs from:</i>			
Illinois Department of Public Health			
Housing Opportunities for Persons with AIDS	28780035J	14.241	<u>79,525</u>
Total Illinois Department of Public Health			<u>79,525</u>
Total U.S. Department of Housing and Urban Development			<u>79,525</u>
U.S. Department of Education			
<i>Pass-through programs from:</i>			
Illinois Community College Board			
Adult Education and Family Literacy Program (AEFLA)	AE-50803-23	84.002	149,969
Adult Education and Family Literacy Program - State Basic	AE-50803-23	84.002	153,922
Adult Education and Family Literacy Program - State Performance	AE-50803-23	84.002	49,545
Adult Education State Grant Program - IL/EL Federal Civics	AE-50803-23	84.002	<u>143,635</u>
Total Illinois Community College Board			<u>497,071</u>

The accompanying notes are an integral part of this schedule.

ASIAN HUMAN SERVICES, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2023

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Pass Through Grantor Number</u>	<u>Federal Assistance Listing Number</u>	<u>Federal Expenditures</u>
U.S. Department of Education, Continued			
<i>Pass-through programs from:</i>			
Chicago Public Schools			
Title I - Low Income	S010A210013 and S010A220013	84.010A	199,782
Title I - Parent Involvement	S010A210013 and S010A220013	84.010A	1,898
Title I - IL Empower Grant	S010A210013 and S010A220013	84.010A	<u>10,000</u>
Total Title I			<u>211,680</u>
Title II	S367A220012	84.367A	4,772
Title III	S365A210013	84.365A	556
Title IV	S424A220014	84.424A	<u>1,258</u>
Total Chicago Public Schools			<u>218,266</u>
Total U.S. Department of Education			<u>715,337</u>
U.S. Department of Health and Human Services			
<i>Pass-through programs from:</i>			
Illinois Department of Human Services			
TANF Job Placement	FCSBG05293	93.558	<u>285,185</u>
Donated Funds Initiative Title XX Mental Health	FCSBJ00292	93.667	53,155
Donated Funds Initiative Title XX Employment	FCSYJ00031	93.667	<u>39,124</u>
Total Title XX			<u>92,279</u>
Teen REACH	FCSBR06087	93.558	<u>538,904</u>
Total Illinois Department of Human Services			<u>916,368</u>
Illinois Department of Public Health			
Minority AIDS Initiative - AIDS Drug Assistance Program (ADAP)	30880012K	93.917	77,389
Increasing Well Woman Visits	26380002J	93.994	<u>29,263</u>
Total Illinois Department of Public Health			<u>106,652</u>

The accompanying notes are an integral part of this schedule.

ASIAN HUMAN SERVICES, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2023

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Pass Through Grantor Number</u>	<u>Federal Assistance Listing Number</u>	<u>Federal Expenditures</u>
U.S. Department of Health and Human Services, Continued			
<i>Pass-through programs from:</i>			
Chicago Department of Public Health			
Building a Network of Trauma Informed Centers of Care	1207793	21.019	<u>299,514</u>
Total Chicago Department of Public Health			<u>299,514</u>
Start Early			
Head Start Cluster			
Early Head Start	05CH011953-03-01	93.600	308,909 *
Head Start	05HE011953-03-01	93.600	1,665,300 *
COVID-19 American Rescue Plan/CARES Act	05HE00106701	93.600	<u>199,275 *</u>
Total Start Early			<u>2,173,484</u>
Total U.S. Department of Health and Human Services			<u>3,496,018</u>
U.S. Department of Labor			
<i>Pass-through programs from:</i>			
Chicago Cook Workforce Partnership			
Work Force Innovation and Opportunity Act Out of School Youth	22-681007	17.259	<u>259,432</u>
Total U.S. Department of Labor			<u>259,432</u>
U.S. Department of the Treasury			
<i>Pass-through programs from:</i>			
Chicago Department of Family and Support Services			
COVID-19 Chicago Youth Service Corps (CYSC)	SC100180A	21.027	<u>435,443 *</u>
Total U.S. Department of Treasury			<u>435,443</u>
Federal CARES Act			
<i>Pass-through programs from -</i>			
Chicago Public Schools			
ARP-American Rescue Plan (ESSER III 84.425D) MFT	S425D210041	84.425D	31,216 *
ARP-American Rescue Plan (ESSER III 84.425D) Operational	S425D210041	84.425D	77,585 *
Total ESSER III 84.425D			<u>108,801</u>
ARP-American Rescue Plan (ESSER III 84.425U) Programmatic	S425D210041	84.425U	<u>162,058 *</u>
Total Federal CARES Act			<u>270,859</u>
Total expenditures of federal awards			<u>\$ 6,522,754</u>

* Identified as major program

The accompanying notes are an integral part of this schedule.

ASIAN HUMAN SERVICES, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2023

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Asian Human Services, Inc. (AHS) for the year ended June 30, 2023. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance. Because the schedule presents only a selected portion of the operations of AHS, it is not intended to and does not present the financial position, changes in net assets, or cash flows of AHS.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule of expenditures of federal awards are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. AHS has elected to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance for all federal programs.

NOTE 3 - SUB-RECIPIENTS

AHS provided no federal awards to sub-recipients during the year ended June 30, 2023.

NOTE 4 - NONMONETARY ASSISTANCE

AHS neither received nor disbursed federal awards in the form of nonmonetary assistance for the year ended June 30, 2023.

NOTE 5 - INSURANCE AND LOANS OR LOAN GUARANTEES

During the year ended June 30, 2023, AHS received no loans, loan guarantees, or other federal assistance for the purpose of administering federal programs.

**ASIAN HUMAN SERVICES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2023**

Part I - Summary of Auditor's Results

Financial Statement Section

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weakness identified?	Yes
Significant deficiency(ies) identified not considered to be a material weakness?	Yes
Noncompliance material to financial statements noted?	No

Federal Awards Section

Internal control over major programs:	
Material weakness identified?	No
Significant deficiency(ies) identified not considered to be a material weakness?	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No

Identification of major programs:

<u>Federal Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>
21.027	COVID-19 - Chicago Youth Service Corps (CYSC)
84.425D	COVID-19 - Education Stabilization Fund (ESF) - American Rescue Plan (ARP) - Elementary and Secondary School Emergency Relief (ESSER II and III) Fund - Moving Forward Together (MFT) and Operating
93.600	Head Start Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes

ASIAN HUMAN SERVICES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2023

Part II - Financial Statement Finding

FINDING 2023-001 - CONTROLS OVER FINANCIAL CLOSING PROCESS

Condition: Management's closing process did not identify material adjustments that were required to properly reflect revenues and related receivables and deferred revenue, as well as, closing checklists and bank reconciliations had no documentation of approval.

Criteria: In accordance with accounting principles generally accepted in the United States of America, internal controls over financial reporting should be designed to ensure that transactions are recorded in the proper period and properly classified and that the closing process identifies any necessary adjustments. Additionally, review of the closing process, including bank reconciliations, should be documented and retained.

Effect: Errors in recording transactions to the proper period and general ledger accounts could result in a misstatement of the financial statements.

Cause: The closing process did not properly identify all necessary adjustments needed to keep the financial statements from being materially misstated. Review of the closing checklist and bank reconciliation was not documented.

Recommendation: We recommend that the Organization implement controls over the financial closing process to ensure all necessary adjustments at fiscal year-end are recorded and reviewed timely to ensure the financial statements are free from material misstatements, and that the closing process contains all necessary documented approvals.

Management's Response: Management agrees with this finding. See Corrective Action Plan.

ASIAN HUMAN SERVICES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2023

Part II - Financial Statement Finding, Continued

FINDING 2023-002 - CONTROLS OVER THE PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Condition: When analyzing the schedule of expenditures of federal awards (SEFA) provided by the Organization, we noted that there was an overstatement of grant expenditures due to certain expenditures being improperly included in the SEFA.

Criteria: Title 2, Subtitle A, Chapter II, Part 200, Subpart F, 200.510 (b), states that the auditee must "prepare a schedule of expenditures of federal awards for the period covered by the auditee's financial statements which must include the total federal awards expended as determined in accordance with §200.502 (basis for determining federal awards expended)", and that the schedule of expenditures of federal awards must "provide total federal awards expended for each individual federal program".

Effect: The SEFA initially provided by the Organization was inaccurate and required an adjustment, in order to properly reflect the total federal expenditures incurred.

Cause: Inadequate internal control over the completeness and accuracy of the SEFA.

Recommendation: We recommend that the Organization implement internal controls and procedures to ensure the completeness and accuracy of the SEFA, including a detailed review of grant agreements, award letters, and expense vouchers for proper classification.

Management's Response: Management agrees with this finding. See Corrective Action Plan.

**ASIAN HUMAN SERVICES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2023**

Part III - Federal Award Finding and Questioned Costs

None

**ASIAN HUMAN SERVICES, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2023**

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

None



CORRECTIVE ACTION PLAN

Year Ended June 30, 2023

FINDINGS – FINANCIAL STATEMENT AUDIT

MATERIAL WEAKNESSES

2023-001 - CONTROLS OVER FINANCIAL CLOSING PROCESS

Recommendation: The auditors recommend the Organization implement controls over the financial closing process to ensure all necessary adjustments at fiscal year-end are recorded and reviewed timely to ensure the financial statements are free from material misstatements, and that the closing process contains all necessary documented approvals.

Actions Taken or Planned: To address this finding, management has implemented the following: 1. Regular Monitoring- We have implemented a system of regular monitoring and review to ensure that our internal controls are consistently followed and that any necessary adjustments are identified and addressed promptly. 2. Documented closing process - We will document our closing process, including bank reconciliations, to provide a clear and transparent record of these critical financial activities.

Person Responsible: Chris Shue, Chief Executive Officer

Estimated Date of Completion: October 2023

FINDINGS – FEDERAL AWARDS PROGRAM AUDIT

SIGNIFICANT DEFICIENCY

2023-002 - CONTROLS OVER THE PREPARATION OF THE SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS

Recommendation: The auditors recommend that the Organization implement internal controls and procedures to ensure the completeness and accuracy of the Schedule of Expenditures of Federal Awards, including a detailed review of grant agreements, award letters, and expense vouchers for proper classification.

Actions Taken or Planned: Management has added the following step to the close process: Review and Reflect Modifications: We will conduct a thorough review of the SEFA and the associated federal expenditures to identify any changes required. Any modifications will be rectified to ensure that the SEFA accurately reflects the total federal expenditures incurred.

Person Responsible: Chris Shue, Chief Executive Officer

Estimated Date of Completion: October 2023

**ILLINOIS GRANT ACCOUNTABILITY AND TRANSPARENCY
ACT REQUIRED INFORMATION**

ASIAN HUMAN SERVICES, INC.
CONSOLIDATED YEAR-END FINANCIAL REPORT
YEAR ENDED JUNE 30, 2023

CSFA #	Program Name	State	Federal	Other	Total
444-80-0699	TANF Employment & Training Program - Job Placement with Retention Program	\$ -	\$ 285,185	\$ -	\$ 285,185
444-80-0707	Supplemental Nutrition Assistance Program - SNAP Job Placement/SNAP to Success	-	739,564	-	739,564
444-80-1217	Title XX DFI Developmental Disabilities/Mental Health	-	53,155	17,719	70,874
444-80-1219	Title XX DFI Family Services Employability Development	-	39,124	13,042	52,166
444-80-1411	Teen REACH (Responsibility, Education, Achievement, Caring and Hope)	-	538,904	-	538,904
482-00-0255	HIV Housing Facility (HOPWA)	79,525	-	-	79,525
482-00-0931	Communities of Color Special At Risk Populations	29,094	-	-	29,094
482-00-0932	Illinois Hepatitis B Outreach, Awareness, and Education to Immigrants	57,052	-	-	57,052
482-00-1027	Minority AIDS Initiative AIDS Drug Assistance Program	-	77,389	-	77,389
482-00-2545	Planning Phase: Increasing Well-Woman Visits - Community Grant Program	-	29,263	-	29,263
586-18-0406	School Breakfast Program	-	128,374	-	128,374
586-18-0407	National School Lunch Program	-	333,629	-	333,629
586-18-0409	Child and Adult Care Food Program	-	17,159	-	17,159
586-18-0413	Fresh Fruit and Vegetables	-	9,345	-	9,345
684-01-1625	Adult Education and Literacy Basic Grants - Federal and State	153,922	149,969	-	303,891
684-01-1625	Innovative Bridge and Transition Grant - State	153,429	-	-	153,429
	Other grant programs and activities	667,274	4,121,694	6,291,632	11,080,600
	All other costs not allocated	-	-	2,710,107	2,710,107
	Total expenses	\$ 1,140,296	\$ 6,522,754	\$ 9,032,500	\$ 16,695,550

See Independent Auditor's Report.

COMPLIANCE WITH REQUIREMENTS OF APPLICABLE LAWS AND REGULATIONS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS OF APPLICABLE LAWS AND REGULATIONS PRESCRIBED BY ADMINISTERING AGENCY

To the Board of Directors
of Asian Human Services, Inc.

We have examined the compliance of Asian Human Services, Inc.'s Passages Charter School (School) with the types of compliance requirements provided by its administering agency, Chicago Public Schools, that are applicable to the School for the year ended June 30, 2023. Chicago Public Schools provided the compliance requirements subject to audit to the School in a memorandum dated May 12, 2023 and Charter School Agreement dated July 1, 2023.

The School's management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its Charter School Agreement with Chicago Public Schools. Our responsibility is to express an opinion on the School's compliance with specified requirements based on our examination. The applicable laws and regulations that were tested included the following:

- Open Meetings Act (5 ILCS 120/1 *et seq.*)
- Fingerprint-based Criminal Background Investigations and Checks of the Statewide Sex Offender Database and Statewide Murderer and Violent Offender Against Youth Database (105 ILCS 5/10-21.9 and 105 ILCS 5/34-18.5)
- Illinois School Student Records Act (105 ILCS 10/1 *et seq.*)
- Administering Medication (105 ILCS 5/10-22.21b)
- Hazardous Materials Training (105 ILCS 5/10-20.17a)
- School Safety Drill Act (105 ILCS 128/1 *et seq.*)
- Abused and Neglected Child Reporting Act (325 ILCS 5/1 *et seq.*)
- Eye Protection in School Act (105 ILCS 115/0.01 *et seq.*)
- Toxic Art Supplies in Schools Act (105 ILCS 135/1 *et seq.*)
- Infectious Disease Policies and Rules (105 ILCS 5/10-21.11)
- Physical Fitness Facility Medical Emergency Preparedness Act (210 ILCS 74/1 *et seq.*)
- Open Enrollment Process and Lottery (105 ILCS 5/27A-4(d), (h))
- Board of Directors Requirements (105 ILCS 5/27A-5 (c))
- Conformance with the following sections of the Charter School Agreement:
 - Attendance
 - Governance and Operation
 - Maintenance of Corporate Status and Good Standing
 - Facility
 - Pension Payments
 - Management and Financial Controls
 - Insurance

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the School complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the School complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

Our examination does not provide a legal determination on the School's compliance with specified requirements.

Our examination identified instances of material noncompliance with the compliance requirements noted above and is described in the accompanying summary schedule of audit findings as items 2023-01 through 2023-05. These conditions were considered in determining the nature, timing, and extent of audit tests applied in our audit of the June 30, 2023 financial statements, and this report does not affect our report dated October 30, 2023 on those financial statements.

In our opinion, except for the material noncompliance described in the preceding paragraph, the School complied, in all material respects, with Chicago Public Schools' requirements referred to above for the year ended June 30, 2023.

This report is intended solely for the information and use of management, the Board of Directors, others within the School, Chicago Public Schools, and the Chicago Board of Education and is not intended to be and should not be used by anyone other than these specified parties.

PKF Mueller

Chicago, Illinois
October 30, 2023

ASIAN HUMAN SERVICES, INC.
SUMMARY SCHEDULE OF AUDIT FINDINGS
YEAR ENDED JUNE 30, 2023

FINDING 2023-001 - OPEN MEETINGS ACT

Condition: The School did not adhere to the requirements of the Open Meetings Act as specified by the Administering Agency of the School's charter school agreement.

Criteria: The School's charter school agreement with the Administering Agency requires that the School adheres to specific requirements in accordance with the Open Meetings Act. Continuing members of the Board of Directors are required to complete Open Meetings Act training once per term. One member of the Board of Directors did not complete this training during their current term. New members of the Board are required to complete the training within 90 days of joining the Board. One new member completed the training, but it was after 90 days of joining, and another new member did not complete the training. Lastly, the by-laws require ten to 15 people to be on the Board of Directors but there are only eight documented members.

Effect: The School was not in compliance with the Open Meetings Act.

Cause: Lack of proper management oversight and other controls over compliance with the requirements.

Management Response: We will enhance our reporting and documentation practices to maintain thorough records of meeting trainings and related documents to demonstrate compliance. Additionally, we have updated organization documents to update the board members to meet the requirement.

FINDING 2023-002 - ILLINOIS SCHOOL STUDENT RECORDS ACT

Condition: The School did not adhere to the requirements of the Illinois School Student Records Act as specified by the Administering Agency of the School's charter school agreement.

Criteria: The School's charter school agreement with the Administering Agency requires that the School adheres to specific requirements in accordance with the Illinois School Student Records Act. The School stores old student records at an off-site facility but was not able to provide the address of the facility. The School is also required to maintain a record of any release of student record information but did not have one available.

Effect: The School was not in compliance with the Illinois School Student Records Act.

Cause: Lack of proper management oversight and other controls over compliance with the reporting requirements.

Management Response: To address this issue, we have designated a responsible individual who will be accountable for overseeing compliance with reporting requirements. This will include regular monitoring, verification, and quality assurance to ensure that all reporting obligations are met consistently and accurately. Furthermore, the off-site storage location has been provided and retained in organizational documents.

FINDING 2023-003 - SCHOOL SAFETY DRILL ACT

Condition: The School did not adhere to the requirements of the School Safety Drill Act as specified by the Administering Agency of the School's charter school agreement.

Criteria: The School's charter school agreement with the Administering Agency requires that the School adheres to specific requirements in accordance with the School Safety Drill Act. The School could not provide a copy of the 2023 Emergency Management Plan.

ASIAN HUMAN SERVICES, INC.
SUMMARY SCHEDULE OF AUDIT FINDINGS
YEAR ENDED JUNE 30, 2023

SCHEDULE OF AUDIT FINDINGS, CONTINUED

Effect: The School was not in compliance with the School Safety Drill Act.

Cause: Lack of proper management oversight and other controls over compliance with the reporting requirements.

Management Response: Management has completed the 2023 Emergency Management plan in September 2023. Controls are in place to ensure annual completion and maintenance of required documents.

FINDING 2023-004 - PHYSICAL FITNESS FACILITY MEDICAL EMERGENCY PREPAREDNESS ACT

Condition: The School did not adhere to the requirements of the Physical Fitness Facility Medical Emergency Preparedness Act as specified by the Administering Agency of the School's charter school agreement.

Criteria: The School's charter school agreement with the Administering Agency requires that the School adheres to specific requirements in accordance with the Physical Fitness Facility Medical Emergency Preparedness Act. The School did not have a documented plan for responding to medical emergencies, did not maintain an AED maintenance log, and did not have any CPR/AED trained users on staff.

Effect: The School was not in compliance with the Physical Fitness Facility Medical Emergency Preparedness Act.

Cause: Lack of proper management oversight and other controls over compliance with the reporting requirements.

Management Response: Management has completed the 2023 Emergency Management plan in September 2023. Controls are in place to ensure annual completion and maintenance of required documents.

FINDING 2023-005 - FINANCIAL REPORTING

Condition: The School did not adhere to the required financial reporting submission deadline as specified by the Administering Agency of the School's charter school agreement.

Criteria: The School's charter school agreement with the Administering Agency requires that the School adheres to specific reporting deadlines. The School did not submit its second quarter financial report on time.

Effect: Delayed reporting affects the Administering Agency's ability to exercise effective oversight and could result in future withholding of payments and other adverse actions.

Cause: Lack of proper management oversight and other controls over compliance with the reporting requirements.

Management Response: The fiscal office has implemented controls to ensure submissions are filed on time. Specifically, dedicated personnel are assigned for submission deadlines to ensure compliance.